

# Exercising Due Diligence When Making Customs Declarations

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**SINGAPORE  
CUSTOMS**

*We Make Trade Easy, Fair & Secure*



# AGENDA

1. Introduction
  - Strategic Goods Control
  - Freight Forwarders' Roles
2. Due Diligence when making a Customs Declaration:
  - General Observations
  - Best Practices
3. Enhancing Self Compliance





# INTRODUCTION



# STRATEGIC GOODS CONTROL

- What are Strategic Goods / Strategic Goods Technology
  - ✓ Items that can be used for the production, development or use in nuclear, chemical or biological weapons or missiles capable of delivering these weapons
  - ✓ These include:
    - Military goods including conventional arms;
    - Dual-use items both civilian / industrial and military application; and
    - Related software and technology.
- Transfer & brokering of strategic goods and/ or strategic goods technology are controlled under the Strategic Goods (Control) Act (SGCA)



# STRATEGIC GOODS CONTROL

## THE NEED FOR STRATEGIC GOODS CONTROL

- ✓ Regulate the trade in or transfer of strategic goods and/or strategic goods technology
- ✓ Curb the proliferation and illicit transfer of weapons of mass destruction (WMD)
- ✓ Maintain confidence of our trading partners for access to advanced technologies necessary for our economic developments & defence



# STRATEGIC GOODS CONTROL

## CONTROLLED TRANSACTIONS

### Export/Re-export

- Bring goods out of Singapore by air/sea/land
- Local consignor

### Transhipment

- Through B/L or AWB
- Goods unloaded & loaded onto same/ another conveyance
- No local consignee

### Bring-in Transit

- Through B/L or AWB
- Goods remain onboard conveyance
- No local consignee

### Intangible Transfer of Technology

- Electronic transmission in Singapore to foreign country
- Make-available technology to person in foreign country
- Via email, fax, internet etc.

### Brokering

- Arrange/negotiate, or facilitate so, in Singapore for deal in transfer of goods/technology from one foreign country to another, regardless whether item passes through Singapore



# STRATEGIC GOODS CONTROL

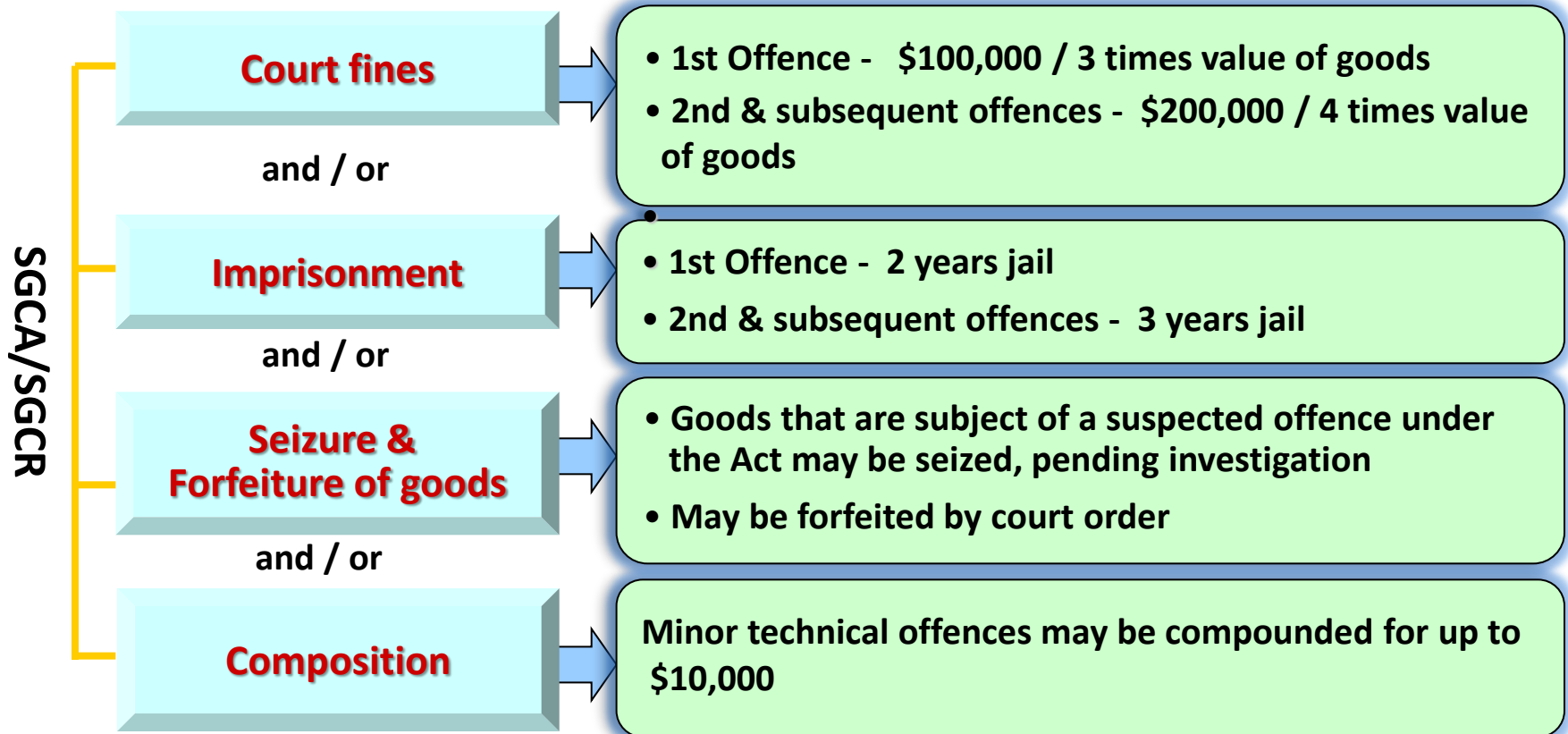
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## REQUIREMENTS:

- Products shall only be transferred to legitimate and approved customers and end-users
- Permit Requirements
  - ✓ Apply for a Strategic Goods Export (Prefix: XO) permit for exports of strategic goods
  - ✓ Apply for a Strategic Goods Transshipment (Prefix: XP) permit for transshipment of strategic goods
- License Requirements
  - ✓ Movements of controlled items should have prior approval from the Competent Authority (e.g. SPF for arms, Customs for chemicals)
- Compliance with permit & licensing conditions



# SGCA Penalties





# FREIGHT FORWARDERS' ROLES

- With freight forwarders undertaking multiple roles, they play an important role in counter-proliferation and ensuring supply chain security.
- Key concerns arise during:
  - a) The submission of permit declarations
  - b) The storage and transportation of goods to ensure compliance with permit and licensing conditions
  - c) The product / customer screening procedures (or its absence) when freight forwarders also act as importer / exporter





# DUE DILIGENCE



# GENERAL OBSERVATIONS

- Application of Incorrect Permit / Failure to take up Permit
  - Applying for an ordinary permit instead of a Strategic Goods Export permit
  - Reasons for offence:
    - ✓ Lack of awareness on SGCA and its controls
    - ✓ Incorrect classification of products
    - ✓ Misassumption that having a license from a Competent Authority is sufficient approval for the transfer of products
    - ✓ Misassumption that US's export license exemption extend to Singapore's controls where a permit / license is not required
    - ✓ Lack of coordination / diligent checks conducted during permit declaration
  - *Offence: Section 5(1)(a) of the Strategic Goods (Control )Act (SGCA)*



# GENERAL OBSERVATIONS

- Failure to Register as a Broker

- Involved in arranging / negotiating the acquisition, transmission or disposal of goods from one foreign country to another without registering with Singapore Customs
- Reason for offence: Lack of knowledge on brokering controls
- *Offence: Section 6 (1) of the Strategic Goods (Control) Act*

- Failure to Apply for a License

- Export of SGC chemicals also controlled under the National Authority Chemical Weapons Convention without NA(CWC) license
- Reasons for offence: lack of knowledge or incorrect product classification
- *Offence: Section 9(4) of the Chemical Weapons (Prohibition) Act*



# GENERAL OBSERVATIONS

- Incorrect Declaration of SGC (“XO”) Permit Fields
  - End-user
  - Consignee
  - Incorrect Entity Name / Address
  - Country of Destination vs. Port of Discharge
  - Place of receipt / release
  - *Offence: Section 28(1)(a) of the Regulation of Imports and Exports Act & Section 30(1) of the Strategic Goods (Control) Act*
- Failure to Retain Documents
  - Failure to retain shipping / brokering documents for a period of at least 5 years
  - *Offence: Regulation 20 of the Strategic Goods (Control) Regulations*
- Failure to Comply with Permit / Licensing Conditions
  - Companies are required to produce goods and permit for endorsement at Checkpoints, for individual permits and/or hand-carried goods.
  - *Offence: Regulation 8 of the Strategic Goods (Control) Regulations*





# BEST PRACTICES



## DO:

- ✓ Read through documents carefully to identify possible controlled items
  - E.g. Invoice indicate a SGCO product code or ECCN
  - E.g. Item description indicates that it may be controlled such as integrated circuits
  - Guide on determination of strategic goods:  
<http://www.customs.gov.sg/NR/rdonlyres/E5D64083-A9B0-424D-A585-87250213455A/27480/GuidebookOnTheDeterminationofStrategicGoods.pdf>
  - If you are unsure of the product classification, you may approach Customs for assistance: **customs\_classification@customs.gov.sg**





# BEST PRACTICES



## DO:

- ✓ Conduct due-diligence checks on your customers & end-users
  - E.g. check if they are sanctioned by the United Nations Security Council or if they raise any red flags to suggest an illegal transaction
  
- ✓ Ensure that you have all documents for permit declaration
  - E.g. invoice, packing list, air way bill/ bill of lading draft, End-User Statement and export license (if applicable)
  
- ✓ Check with the importer / exporter if you are unsure of the permit details or have detected discrepancies





# BEST PRACTICES



## DO:

- ✓ Know the contents you are importing/exporting for each consignment by clarifying with the relevant parties
- ✓ Work jointly with the exporter to ensure compliance with Customs legislation when acting as a customer-appointed freight forwarder in ex-works shipments
- ✓ Comply with permit / licensing / registration conditions
  - E.g. submission of half-yearly report on brokering activities
  - E.g. present the permit and goods for endorsement at the checkpoint if required







# BEST PRACTICES



## DO:

- ✓ Implement clear working procedures for notifying Customs upon discovery of a possible error in declaration
  - For changes in non-amendable permit fields, to self-disclose to Customs
  
- ✓ Retain documents for a period of at least 5 years
  
- ✓ Promptly inform Singapore Customs if there is any change in your company's particulars, to ensure timely updates on any changes in regulatory procedures





# BEST PRACTICES



## DON'T:

- × Make a declaration without verifying the authenticity of all the supporting documents
  
- × Provide vague description – E.g.s.:
  - Items: SBTX, IC and VBE VS. Firewall Service Module, Integrated Circuit and Pressure Inducer
  - End-use: Telecommunication / internal office use VS. Manufactured into SIM cards / higher assembly into motherboard for computer





# BEST PRACTICES



## DON'T:

- × Make a last minute submission of SGC permit applications
  - DAs are required to apply for an individual permit at least 5 working days before the transfer of strategic goods
  
- × Accede to requests from customers to make incorrect declarations
  
- × Proceed with transactions if there are any red-flags detected during correspondence with the customers
  - E.g. Customer is insisting on cash payment for the transaction.





# ENHANCING SELF-COMPLIANCE



# 1. INFORMATION ON CUSTOMS WEBSITE

- Strategic Goods (Control) Act:  
<http://www.customs.gov.sg/stgc/topNav/hom/index.html>
- Declaring Agent Governance Framework:  
<http://www.customs.gov.sg/leftNav/trad/Declaring+Agent+Governance+Framework.html>
- TradeFIRST (STS):  
<http://www.customs.gov.sg/leftNav/trad/TradeFIRST.html>
- Licensing conditions for Customs Schemes & Licenses including STS:  
<http://www.customs.gov.sg/leftNav/trad/Customs+Schemes+and+Licences.html>



# 1. INFORMATION ON CUSTOMS WEBSITE

- UNSC Sanctions:  
<http://www.customs.gov.sg/stgc/leftNav/san/>
- Red Flag Indicators:  
<http://www.customs.gov.sg/stgc/leftNav/san/Other+Red+Flags+Indicators.htm>
- Unilateral Sanction Lists or Embargoes:  
<http://www.customs.gov.sg/stgc/leftNav/san/Unilateral+Sanctioned+Lists+or+Embargoes.htm>
- Updates on Customs requirements:  
<http://www.customs.gov.sg/topNav/new/>
- Subscribe to mailing list: <http://app.customs.gov.sg/subscribe.aspx>



# 2. SINGAPORE CUSTOMS ACADEMY COURSES

- SC101: Customs Procedures
- SC102: Classification & the Harmonised System
- SC111: Hands-on Tradenet Declaration
- SC201: Basics of Strategic Goods Control Seminar
- Course materials are available on website for self-learning:  
[www.customsacademy.gov.sg](http://www.customsacademy.gov.sg)  
<https://www.customsacademy.gov.sg/resource-centre.aspx>  
Email: [customs\\_academy@customs.gov.sg](mailto:customs_academy@customs.gov.sg)





## 3. VOLUNTARY DISCLOSURE PROGRAMME (VDP)

- Encourage companies to self-disclose on any errors committed under legislation enforced by Customs
- VDP Link:  
<http://www.customs.gov.sg/leftNav/trad/Voluntary+Disclosure+Programme.htm>





# 4. REPORTING SUSPICIOUS ACTIVITIES

- For reporting of suspicious or illegal activities, you may use one of the following methods:
  - Call our 24-hour toll-free hotline at **1800 2330000**
  - Email us at [customs\\_intelligence@customs.gov.sg](mailto:customs_intelligence@customs.gov.sg)
  - Submit a report based on the template found in the following link:  
[http://www.customs.gov.sg/mis/con\\_Report+Customs+Offences.html](http://www.customs.gov.sg/mis/con_Report+Customs+Offences.html)



# THANK YOU



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